

Barham

DISTRICT OF COLUMBIA
STATEHOOD CONSTITUTIONAL CONVENTION

Public Hearing of the
COMMITTEE ON FINANCE AND TAXATION

6:18 p.m., Monday
April 12, 1982

Room 501, District Building
14th Street and Pennsylvania
Avenue, N. W.
Washington, D. C.

Attending

JAMES M. COATES, Chairman

DAVID M. BARNES

RICHARD M. BRUNING

CHARLES I. CASSELL

WILLIAM M. COOPER

HOWARD M. CROFT

ALEXA FREEMAN

NORMAN NIXON

Staff

PAUL WHIPPLE

IRMA WHIPPLE

CYNTHIA WINGFIELD

AGENDA

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P R O C E E D I N G S

MR. COATES: Let us be called to order. This is a meeting of the Committee on Finance and Taxation of the D. C. Statehood Constitutional Convention, met in accordance with the regular schedule of our meetings providing for a meeting of the Committee on Monday and the following meeting on Wednesday each week.

I at this time would ask the Secretary, Mr. Bruning, to call the roll of Committee members.

[Mr. Bruning calls the roll]

Thank you, Mr. Secretary. I would propose that we defer the matter of minutes and set as the agenda for the meeting a hearing in accordance with the Notice of Public Hearing issued April 8, 1982, by the Convention, that is, a hearing before the Committee on Finance and Taxation regarding its preliminary draft proposal on finance and tax; and then set as a second item on the agenda any other business, with the understanding that the open item will allow us to dispose of any matters appropriate for action here this evening.

MR. BRUNING: Move the adoption.

MR. COOPER: Second.

MR. COATES: Any discussion? Those who support

the motion will say "aye."

[Chorus of "ayes"]

Those opposed, nay.

[No response]

The "ayes" carry, and the agenda therefore is set.

The Notice of Public Hearing providing for receipt of public comment with respect to the draft article of this Committee, dated April 8, 1982, has been circulated, and in response to the circulation of that notice we have witnesses present today.

The Chair arranged with Mr. Jim Vitarello, whose schedule had to be revised to accommodate his being present today, that he would be called as the first witness, and if there is no objection from members of the Committee I would proceed to call him.

We ask the witnesses, for the sake of the record, to identify themselves by name and the organization which they represent or instead if they appear before the Committee as private citizens.

STATEMENT OF JAMES VITARELLO,

D. C. CITIZEN

MR. VITARELLO: Thank you, Mr. Chairman, members of the Committee. My name is James Vitarello, and I am appearing today as a citizen of the city; I have lived in the District of Columbia since 1966.

I do work, however, at an agency that is relevant to your discussions, and that is the Comptroller of the Currency where I have developed I think a considerable amount of expertise in banking laws. The Comptroller of the Currency, for those of you who may not know, is the regulator of national banks in this country, including all the commercial banks in the city. My job there is a community development specialist; I am not an examiner. But I do travel around the country and provide technical assistance and information to those banks that want to become more involved in their local community, particularly in neighborhood, housing, and economic development. I have been there for about three years.

I think it's important also to briefly just go down a list of things that I have done in the District and nationally to let you know that I have been involved in this issue for the last twelve years; I am not a newcomer to

banking or, for that matter, even to taxation. I have a law degree from G. W. and a master's in comparative law from the University of Stockholm in Sweden. But, most importantly, I was the first executive director of the Consumer Protection Agency in the city back in 1972, and the primary law which I administered was the D. C. Truth in Lending law and a variety of other credit laws. So I had to deal with financial institutions considerably at that time.

I went on to become the first executive director of the Public Interest Research Group in D. C., which was a Nader-affiliated group, and the major study we did there was of mortgage red-lining or mortgage disinvestment in D. C. neighborhoods. It was the first such study in the city-- and, by the way, I might add, only the second in the country at that time; this was in 1974, the issue was just becoming in vogue, so to speak.

I then became the executive director of the D. C. Residential Mortgage Commission which was chartered by the City Council, and I had the pleasure of reporting to Reverend Coates, who was then Chairman of the Council's Committee on Economic Development. We did the most comprehensive study of mortgage disinvestment in the entire nation at that time; I won't go into the details, but it was a model for many

other cities to follow and, in fact, even for national legislation known as the Home Mortgage Disclosure Act, which is still on the books today.

I then became the executive director of a sister or brother type of commission that followed that, again chartered by the City Council, known as the D. C. Neighborhood Reinvestment Commission, which instead of doing a major study at this point developed a comprehensive neighborhood development plan which dealt with housing and economic development, particularly in low and moderate income neighborhoods in the city. Many of these recommendations have been adopted by the executive branch of the government. However, I might add, they did it in bits and pieces and not in a comprehensive way, which we recommended.

I was, incidentally, also a member of the D. C. Tax Revision Commission which was again another City Council chartered commission. I was appointed by Mayor Marion Barry, who was then Chairman of the Revenue Committee of the City Council, and I served as a member of that commission, not on the staff. However, I was very actively involved in a variety of studies. And I strongly urge that you look at that study, if you haven't seen it already, particularly some of the findings and analytical work that went into it.

I'm not wild about some of the recommendations; I dissented from several of them. However, I think some of the analysis is still very true today.

Finally, I was reinvestment director of a Presidential Commission on Neighborhoods, which was chartered by Congress and appointed by the President of the United States, and I was the senior staff member concerned with, again, reinvestment banking issues for that Presidential commission.

Now let me get to what I really want to talk about today, and I will just outline several things, and then I wish you would ask me questions, if you have any questions to ask. First of all, let me state that it has been my findings of the last twelve years, and clearly in studies that I have seen recently, that competition in banking is by far and away the most pervasive force for responsive financial institutions. Believe it or not, I did not believe that for quite some time; I believed that pressure and God knows what else could get banks to move. But I found that that really is ancillary to real good competition. A good example is California where the banks there are extremely aggressive, particularly the larger banks, and they are constantly falling over one another to outdo themselves in a variety of community development endeavors. They are far

and away ahead of most banks in this country in terms of community development efforts. I can also cite other instances, but I think California is the best example of that.

Now, in light of that, I think what this Committee should consider is increasing competition in the District in terms of authorizing--not requiring, but authorizing the establishment of a separate banking structure, and I use that term generically--banking, not just commercial banks--but savings and loans, credit unions, a variety of other different hybrids that are now being formed throughout the country and competing actually with traditional banking institutions.

The District is the only area in the United States, in the continental United States at least, that does not have its own local banking laws. All fifty states have their own separate banking laws, their banking commissions that regulate them, etcetera. And I think that it is a strange anomaly for the District not to have this. For a bank or savings and loan to be chartered in this city today they have to go to the federal authorities. I think that that is bad. I think that it would be very helpful to promote, again, competition, but also to help design and what I call target financial institutions to meeting the unmet capital needs of

the city, which frankly federal agencies have a very difficult time doing it--and I work in one, and I know; it is very hard for a federal regulator to say we know the credit needs of D. C. or Anchorage, Alaska, or whatever, and therefore you should be doing this. We are really put in the position of playing God, and it's very hard to do that from Washington.

So we are reluctant to do that. However, a local banking commission can and should do that, and in fact many places do it. Let me just give you a few quick examples. Massachusetts is probably the most active banking commission in the country. They have their own community reinvestment act, which is comparable to the national Community Reinvestment Act that was passed by Congress a few years ago--I won't go into the details of what that is, but basically it's a mechanism to encourage banks to become more active in community reinvestment activities in the local community. Massachusetts also has had its own disclosure laws on mortgage lending patterns for quite some time, independent of the federal government; and, in general, has been very active in these issues. California has also been very active, particularly the savings and loan commission that has done detailed studies of neighborhood disinvestment throughout

California--and, believe me, if they can do it in California, you could sure as heck do it here--they have actually identified mortgage-deficient neighborhoods throughout California. Again, let me say that what they have done is not perfect, and it needs I think a lot of improvement--but the point is that they have gone that extra step which no federal regulator could ever do. We have talked about it in our agency, and it's just impossible, because once you do it for one state, then, you know, you have to do it for the other forty-nine, and we just simply can't do it. But a state commission can and should do those things.

And, finally, let me point out that New York has a very active, particularly banking commission; again, they have their own community reinvestment act, they provide forums, conferences for community groups and bankers to get together and really engage in a dialogue that is critically needed, particularly in the city, so that both the consumer and the financial institutions--and, by the way, I should throw in the city government for added measure--need to really sit down and talk to one another and know each other's needs and realize the mutual goals that are there. And that, again, has been done in many, many other parts of the country; it has not been done very much at all in this city.

Now, it's important to note that in addition to bank regulation, you should also consider the possibility of authorizing a state deposit insurance program. Now, let me basically explain that. Right now there is the FDIC, the Federal Deposit Insurance Corporation, which insures the deposits up to \$100,000 in all commercial and savings banks; and then you have the FSLIC, which I won't explain what that is--it's basically the counterpart on the savings and loan side for federal and state (most state) savings and loans.

Now, the point to remember, however, is that a state bank that is chartered by the state does not have to become a member or insured by either of those two federal deposit insurance organizations. They can be insured by a state organization. Maryland is a good example. All of the Maryland state savings and loans have their own deposit insurance pool; in fact, according to several studies I have seen, it's far more liquid and far more risk-averse, so to speak, than the federal counterpart, particularly in this day and age. I would, however, give one caution and one important benefit to keep in mind here.

The caution here: it's very complicated to set one up, and you really have to know what you are doing; you cannot play games with people's money, the people really rely

on that deposit insurance. And whatever language you can put in there, you better make sure that the city government doesn't play some of its usual games in setting something up and then just drops the ball--and I say that very critically with long experience in city government.

But, on the other hand, the benefit is this: if you do that, you could be totally free--I wouldn't say "totally," 95-percent free--of federal regulations, because once even a state-chartered institution becomes a member of the deposit insurance corporation, they are subject to virtually all of the same laws and regulations, and many of them really are a hindrance, which the nationally chartered banks are and the nationally chartered savings and loans. And, by the way, when there is a conflict, guess who wins? The feds do. However, if you are state-chartered and state-insured, you basically don't have to worry about Uncle Sam except for two or three relatively minor laws, which I won't even go into right now.

Now, that is a very, very big benefit, if you can have the capacity to set this up. For example, Maryland savings and loans can offer 1- or 2- and in some cases even 3-percentage points higher in deposit interest rates to attract depositors, okay, so that they can get more money

than, let's say, a D. C. bank right across the line, or, for that matter, even a Maryland bank that is federally insured by the federal government.

So things like interest rates, all kinds of things --loan-to-deposit ratios, all kinds of things--are regulated by the federal government. And I think that D. C. needs laws that are tailored to meet the needs particularly of our neighborhoods, particularly east of Rock Creek Park, which have very, very few branches, of course outside of downtown --but outside of those areas they critically need neighborhood oriented what I call development-oriented banks. And if you are federally insured, you are really going to have your hands tied.

Let me make another point that should be made clear for the record that many laymen don't understand--in fact, there are many bankers who don't understand this either. Many U. S. Court of Appeals decisions have held that state laws are applicable to federally chartered banks and savings and loans--substantive laws, now; that includes discrimination laws, laws in terms of civil rights, community reinvestment laws, usury laws, and many other things. Unless Congress specifically exempts--or pre-empts, that is a better word--pre-empts the states in a particular matter, which it has

done in several cases--truth in lending is one area, although they allow states to have their own truth-in-lending laws provided they are at least as equal--but unless Congress specifically pre-empts that substantive area, it has been clearly stated by several U. S. Court of Appeals that a state can regulate in effect even federally chartered institutions, banks and savings and loans, which it cannot do, however, for those institutions that are federally chartered; is what are called visitation rights--that means you can't go in and determine whether or not the law is being enforced except in a lawsuit. Now, what that means is you have to depend on and put pressure on the federally chartered institutions, I mean agencies, like mine, to ensure that they are in fact enforcing your local laws. And, believe it or not, several states have done that, and successfully. If you drop the ball, of course, that's up to you. But just keep that in mind.

Now, my point is this--the reason why this is important: without a banking commission that has the skill and the expertise and the time to really know these issues, I submit that you will never have any major substantive banking laws in this city regarding federally chartered institutions--you won't. And I think a good example is just simply look at the City Council and see what they have done in the

banking area; I think they have made a mess of it, they have no idea what they are doing, and I don't expect them to-- they don't have an agency that they can rely on to give them advice, and, accordingly, nothing really substantive ever really happens.

So that is another important point to underscore.

Let me now sort of throw it open to the Committee. I have several referrals which I am going to make to your research assistant in terms of where to go for a lot of other information, to keep her busy for several months, but I am sure she will selectively look through these things. But there is a sufficient amount of information on comparative state banking laws from two major trade associations. So it's in a very easily accessible, looseleaf form. So it's there.

Any questions?

MR. COATES: Thank you. Before we hear questions, I would like for the record to indicate the presence of Joel Garner, Committee member; Norman Nixon, Committee member; and Alexa Freeman, Committee member.

Okay, questions? Yes, David Barnes.

MR. BARNES: David Barnes, Ward 7. I see your need for us having a state banking commission. However, one of

the grey areas which the Committee has always been dealing with in working on this constitution is to what level of detail should we express, you know--in other words, what level of detail in the constitution should mention of a state banking commission have? I mean, should it be a very brief presentation, or should we go into some detail as to the structure, how it's set up and that kind of thing?

MR. VITARELLO: Well, the first suggestion I would make is to go to the California, Massachusetts, and New York banking laws, and their constitutions, and look at what they have been authorized to do, particularly Massachusetts, because Massachusetts also is another state that has its own deposit insurance corporation, or what are called cooperative banks--they are not savings banks and they are not commercial banks; they are cooperative banks that are literally owned by the people in a particular part of the city; they started out as neighborhood banks.

So I would definitely look at Massachusetts; I would look at Maryland, because they have their own deposit insurance corporation as well.

I have never seen a constitutional provision dealing with this, so I can't give you any particular language. But I would keep it flexible; I would provide the authority

for the things I have suggested, without, of course, requiring it--but making it very clear in your language that what you are trying to do is to promote competition, to help create institutions that are helping to meet the neighborhood needs of Washington, D. C., and not just competing with the downtown banks. Believe me, you won't need that; pretty soon big banks from New York, Chicago, and California will be coming to the District and setting up their own offices--I am sure that Congress will allow that soon. But, again, they are not going to be concerned about D. C. neighborhoods. So we are not talking about that. We are talking about providing incentives for neighborhood banks so that they have a leg up on everybody else. And you can do that, as long as you have your own deposit insurance corporation.

MR. COATES: What problems, if any, do you see if we were to require that the city utilize state banks, that is, city banks as depositories?

MR. VITARELLO: I'm glad you mentioned that, Reverend; it slipped my mind. There is one state in the country that has its own state bank; it's actually a legal entity that is chartered by the state constitution and enacted by legislation, and that is North Dakota. There were actually several others around the turn of the century, but for a

variety of reasons they went under, mainly the depression. However, North Dakota continued to operate--and, in fact, they were set up originally to help meet the unmet capital needs of small farmers and small businesses in North Dakota. And I believe it has been a very successfully run institution; it's run in a very business-like manner; it accepts deposits, although in a fairly limited way--I'm not quite sure how, but the legislation does limit it, so that it is not directly competing with the private institutions as far as deposits. However, it has many ways to generate funds, including state funds that are deposited there in the institution for particular periods of time, and also pension funds, too. That is another thing, by the way, that you should authorize, the use of pension funds to be deposited in any state-chartered banks and perhaps even in a state-operated bank.

Now, do you understand the difference between a state-operated bank as opposed to a state-chartered bank? There is a very important difference there.

If you do authorize the creation of a state-run bank--again, just the authority, not the requirement--I think it's important to make it absolutely clear that it would be a separate corporation; it would not be part of the executive

department; it would be run like an independent agency; that it would be subject to very tough conflict-of-interest laws. However, I would not make it subject to civil service laws at all; I would leave it outside the realm of that. Of course, if you do that you you are going to have to have some kind of self-insuring mechanism, because I assure you that the Federal Deposit Insurance corporations will not insure the deposits of that bank; they won't. So you are going to have to set up a deposit insurance corporation for that.

I think it's worth exploring; I think it's worth the state legislature to explore. I am not about to say at this time that it's worth doing. There are a lot of pros and cons for setting up a state-run bank. But I think it certainly should be authorized and explored.

MR. COATES: Other questions? Then, thank you, Mr. Vitarello, for an interesting presentation, and it has heightened the Committee's awareness of an area that is a critical concern.

MR. VITARELLO: It certainly is.

MR. COATES: We also express gratitude for the referral you will be giving to the staff person.

MR. VITARELLO: I am sure I can be of very much help there. I wish I had some time to help all of you, but

right now I am helping several community groups; my own neighborhood has put together some community development projects, and it's taking all my extra time besides my job, so I really am spread very thin about this time.

But I will have time to spend on the phone.

MR. COATES: Thank you.

Our next witness is Josephine D. Butler, who represents the D. C. Statehood Party.

STATEMENT OF JOSEPHINE D. BUTLER,

D. C. STATEHOOD PARTY

MS. BUTLER: Thank you, Mr. Chairman. I am very happy to have this opportunity to share once again some of my feelings about taxing and financing, and our state becoming. For a long time, I guess equally as long as we have looked at statehood, we have looked at the peculiarities that are Washington, D. C.--the size of the city, the intent when it was planned of this size, and some of the things that we have accomplished and some that we have neglected. And I think the most neglectful has been examining the plan that was originally put forth for Washington, and seeing if that plan would be helpful today in putting our city back together. When we look at Washington, D. C., and we look at other cities--and we know that there are a lot of things that we can

learn from other cities, but there are a lot of things that we must be aware of. Many cities in this country have room to grow; Washington does not have room to expand outward.

So I would suggest that we must make the best use of what it is that we have right here in front of us. You don't have to look too far to see the damages that can be attributed to some extent to the present method of real estate taxing and use of land in our city. I know in my own community I have seen my community go down as banks moved around--and I am really glad that I was following Mr. Vitarello, because I think that what we are saying goes hand in hand. And I have seen it just hang there until banks were ready to invest in it again. But as banks were ready to invest again in the Dupont Circle area, the Adams Morgan area, the homes were priced out of the reach of the people who had been in the area and stayed with the area during the hard days.

And I think we have to be aware of this, and we have to look at means that can be used to correct some of it. I think it is also important to note that as we struggled to build and pay for the subway, that now the benefits of the subway are being reaped and harvested by developers, office buildings, but not by those of us, again, who stayed in the

city and paid the taxes to help build the subway.

I think that we also have to look at how the land is used to the extent--how much of our land is presently off the tax rolls. I notice that you say in your statement that churches should be--let's see, all or any portion of property used exclusively for non-profit and non-profit religious purposes should be exempt. I would ask you to please re-think that, when you look at the amount of land in the District of Columbia. I am thinking that to allow so much of it to fall under religious exemption is a bit immoral, in my estimation; I don't know how else to say that when we see so many people sleeping in the street without homes, and children in very crowded homes.

I spoke to some ministers about this a couple of weeks ago, and they agreed with me and said that they would be looking at it.

So I don't feel that by any means that we can give exemptions the way exemptions have been given in the past.

I have been concerned that many of us who wouldn't join some of the organizations that are tax-exempt in the District of Columbia subsidize them to a greater extent than the people who are members, and I think we have to look at that as we look at taxing and financing.

In the home rule charter for the District of Columbia there is some language that deals with trying to look at an alternative method of taxing.

The final point that I want to make on this study of taxing and looking at alternative means of taxing is that we have to somehow--and this goes back to development and banking--and we need to set some guidelines on development so that there is adequate housing in the District of Columbia. I doubt if the number of people that we have here today can continue to pay the taxes that we have to pay to live here. So it would seem to me that if we look at the plan, the original plan, which called for almost as many people as we have in the whole city now, living in the original square that L'Enfant set forth for Washington, which was bound by Eastern Branch, I think Rock Creek Branch, the Potomac River, and Florida Avenue. So it would suggest that since we now have east of Eastern Branch, south of Potomac River, and west of Rock Creek Park, and north of Florida Avenue, we should be looking at some plan to bring to our city people who can share with us in paying the taxes, and also can support cultural needs, because we can't even support a theater.

And I would like for you to consider these suggestions as you continue working on your tax and finance section

of the constitution.

I didn't stop at home on my way here, but in Pittsburgh several years ago the mayor and the city council were looking for new methods of taxing land there, and they came up with taxing the land more than the building, and encouraging building; and also it was a relief to people paying personal income tax. I think the difference was that if they had taxed people's incomes to the extent that they needed to raise money, it would have--and I will get you this material so you can read it--it would have been like \$186 for each person. And the way that they transferred the tax to the land base that they have in their city, it came to something like \$80 for each homeowner.

And I think that that concludes my few remarks, and I thank you for listening to me.

MR. COATES: Thank you for your presentation.

Questions?

Delegate Howard Croft.

MR. CROFT: Yes, going back to the tax exemptions, would you care to comment how you would do that, the things you would do?

MS. BUTLER: Well, I would let people work it out, but at least let them know that you are concerned about this.

I think we have to express concern for all tax-exempt buildings at this time.

MR. CROFT: Because the article only exempts three kinds of property. The article, as it is currently written, the only thing that is tax-exempt are the personal properties of the state, all or any portion of property used exclusively for non-profit religious purposes, and the real or personal property of the federal government. In that sense, all other properties in the state would be taxable.

MS. BUTLER: The reason that I mention churches is because I have been talking to some ministers for the last month or so about this problem that we have in the District of Columbia with having so little land base and such a great portion of it off the tax rolls, and that somehow we are going to have to rethink what it is that we are exempting, and who is going to pay. Nothing is free; somebody is going to have to pay for it.

I work and live in the Adams Morgan area, where ten years ago we were fighting the escalation--well, fifteen years ago we were fighting to try to get money to do home repairs that we couldn't get, and then it was changed around and we were fighting to hold the price of homes down a little bit--and we lost that one, too. And now today people are

fighting the high assessments. Like one little lady told me that her house had been assessed \$300,000 just because somebody down the street bought a house for that amount of money. And she is a retired little lady; I'll be talking to her tomorrow.

So I am saying that we have to take all of these things under consideration. And, as Jim was talking about, that we have to look at some guidelines and controls for banking. If we are going to say that this is going to be a city for all the people, we are going to have to look at the little bit of land we have got and how we can use it most effectively.

And I have seen a lot of benefits in the plan that was put forth in the early days of Washington, although that was put forth without thought towards elevators. It's still a good plan, I think; it has a lot of good points in it.

But I would like to some time maybe, when you have more time, at another meeting, to bring some other people and more material to talk about this. But I really would like for you to think about the whole thing of land use and control.

MR. CROFT: Could I ask you a side question on land use? I know this doesn't directly relate, but it does

indirectly, because one of the reasons why the cost of land is so high in the District is because of the height requirements in the District.

Would you be in favor of those height requirements being lifted?

MS. BUTLER: No, no, not necessarily. You know, downtown is built like a village. We haven't even built up to the height requirements. We have one-storey buildings downtown. So when we start doing something about that; you know, when we get up to six storeys, then we will talk about well maybe we need to go higher.

But we have a lot of underground space that we are not using. We have, as I said earlier, a lot of space that we are not using, not using to its best advantage. And that is what I think we need to look at.

And we need to encourage people to build, especially in the center city. I almost suggested that we have two kinds of taxing, one for the center city, and one for the outer city. But I know that's not possible. But I think we have to somehow encourage building to the highest value downtown, and also that we not allow the whole downtown to go to sleep on Friday and wake up on Monday, because those of us who live outside of the downtown will have to pay for that

sleeping, you know, in our taxes and other kinds of things.

I know that the utility companies might want to come in and talk about this, some of the things that they have seen in this whole thing, start to talk to some of them on it. If you would want to hold more extensive hearings some time.

But I had to come in and talk about exemptions.

MR. COATES: Thank you. Other questions? Delegate Cooper?

MR. COOPER. Yes, Bill Cooper, Ward 4. Ms. Butler, also in the area of exemptions, we have an item No. 4 here that calls for the exemption of purchases of retail groceries or drugs.

Now, I can foresee this being a help to some people, but what is your reaction to this type of exemption?

MS. BUTLER: Well, first thing, if you tax the land right, you don't need those taxes. I think Mr. Croft said earlier the houses were so high because they were so low; that is not my feeling as to why the houses are so expensive. It's because the way we tax, the tax gets added on as a cost of housing; if we just tax the land, then the tax could stay separate from the cost of housing. That was so in Baltimore for a long number of years.

And I think that because we are allowing so much waste in our most precious resource that we have to tax--put a little bit on this, put a little bit on that, and then somebody screams and we pull it off and put it on something else.

But I am thinking that as we move to a state, we are going to have to deal with this whole thing of how we best handle these few acres that we have here.

MR. COOPER: So do I hear you saying you would maybe be in favor of across-the-board taxes on land with the possibility of having no other taxes?

MS. BUTLER: I am saying if we do it right, that could be a possibility; if we did it right, that could be a possibility.

MR. COATES: Delegate Barnes?

MR. BARNES: David Barnes, Ward 7. I have three questions to ask you.

First of all, it sounds--and let me clarify--that you are advocating that we in the constitution state that property taxes should only be on land, and not on land and buildings, am I correct?

MS. BUTLER: I wouldn't want to say. There is some language in the home rule charter that I think would fit very

well in here that leaves room for looking at this. Any matter of taxing I would like to see it go to the people for a referendum, because they are the ones--that's where they make their judgment. And one way or the other, they are going to make it, whether it's a revolt against taxing or whatever, they are going to make a decision.

So that would be my suggestion, put language in that would allow for consideration of alternative taxing.

MR. BARNES: By referendum.

[Ms. Butler nods affirmatively]

Okay, my second question is--I don't know if you are familiar with the report on taxes, "Financing in Urban Government." Are you familiar with that report?

MS. BUTLER: A little bit; I'm not quite sure.

MR. BARNES: Okay, they suggested, in talking about ways to cut the sales tax burden on lower income persons, an income tax credit as opposed to cuts in sales taxes. And I would just like to know, do you have any views on that?

MS. BUTLER: I don't think I have thought enough about that to say one way or the other. I might have one next week. Just let me think a little bit more about it. But I haven't thought that much about that.

MR. BARNES: Okay, I just wanted to clarify another

one of your points on exemptions. Now, are you saying that we should look into not exempting the traditional, some of the traditional properties that are exempt, and begin to carefully sort out those which we could allow for taxing by the state, if I am right?

MS. BUTLER: Yes.

MR. BARNES: Okay, thank you.

MR. COATES: Delegate Cassell.

MR. CASSELL: Yes. Joe, I am remembering what you were saying about being careful to exempt all church taxes. Is it just possible that what your meaning is that inasmuch as with high interest rates that don't seem to have much prospect of going down, with the withdrawal of substantial federal funding for essential services to people of meager means, that in reordering our taxes perhaps we ought to look again at some of those exemptions and change them, those activities that can afford to pay taxes, perhaps some of the religious institutions--examine the whole reason for exemption of religious institutions in the first place. In the same way that people who would normally get food stamps are getting less, people who get other kinds of allowances for Medicare and Medicaid and so forth, Social Security--those essential services are being reduced to people who really

have no other sources of income, so possibly churches may be asked to make a larger contribution than they have.

Is that an editorialized version of something that you were implying?

MS. BUTLER: Yes, that is somewhat what I am saying. I am not saying that we should write it in here in stone. What I am saying is that I think that people are ready to look at--when they look at our problem, they want to help, I don't think they want to be a part of the problem any more, and they have to see that they are part of the problem.

I was corrected last week--we have about fifty-some percent of the land that is off tax rolls at the present time. So the other fifty percent of the land is paying for that fifty percent, plus, right? And the thing that I am saying is to consider--I am not saying hit them over the head, because I never want to take candy from babies.

MR. CASSELL: Second part of my question: you said we need to bring people from beyond the borders that you described in to help support our tax basis.

What specifically did you mean by that? You described the original boundaries--Florida Avenue, Potomac River, and so forth--and you said we should reach out beyond

the existing boundaries?

MS. BUTLER: No, no, no. What I was saying is that --well, I read this three or four places; I read it in an earlier map and program for the city, and it said that there would be 500,000 people living in this area. I read it in a report that was put out by a group called Optimum Growth, or something like that, back in the seventies, and they said there was supposed to be 800,000 people living in this area. I am just saying that if that was the plan and we have now perhaps two or three hundred thousand living in that area, we are wasting a lot of land, wasting a lot of resources. And this opportunity, when we have the time to look at that, and to make some plans to see what did they have in mind--I know in looking at the way the blocks were designed, I think they were fantastic even at the low density that they had. My sister presently lives in an area in Bedford-Stuyvesant in New York where that block was levelled during the civil disobedience in the sixties, and when they rebuilt it they rebuilt three nine-storey apartment buildings and one building that is stores, and in the center is the area for all recreation: swimming pool, skating rink, tennis court, basketball, everything that that block needs to support itself. I am told that this was what L'Enfant had in mind in the early

plans of this city, when he was laying it out. I haven't really examined that to say I am absolutely sure, but I have been told again and again, and what I read seems to support it.

What I am saying is we need to look at how do we bring more people back to the city to help us finance the city. That's what we are talking about, how to get more money in here to pay for the services that we need. And we just chased a good portion of our middle income people out because they couldn't afford to live here any more.

MR. COATES: Delegate Croft and then Delegate Garner.

MR. CROFT: I would like to go back to the tax-exempt section. I think this may be for the clarity of our own language, and perhaps something is not clear in the language that we have used, and maybe you could help me out on that; perhaps we may need to rewrite this. Because as this language is written, again, this language only exempts federal properties, state properties, and it only exempts church properties that are used exclusively for religious non-profit activities, which means essentially the church itself.

Now, without getting into--it seems to me that this

tax exemption statement we have written is probably one of the most stringent ones that exist; it essentially says that everything is taxable except those things protected by the First Amendment. Federal properties cannot be taxed; that goes back to Marbury v. Madison in which the power to tax is indeed the power to destroy. The church property itself that is used for religious purposes cannot be taxed, because the state has to be absolutely neutral.

So in that sense, then, everything is taxable except those things that there is a constitutional prohibition against taxing in this tax statement. So it would seem to me that if we wanted a very stringent statement on tax exemption, then it is difficult to find one that is any more stringent than this one.

Let me give an example. If a church owns an apartment building, that apartment building would be taxed. It means that a private university, if it owns buildings--it means that a private university's buildings would be taxed, as they are currently set up here. It means that NEA, my own union, would be taxed. It means the National Geographic would be taxed. It means that only the properties that are not protected by the U. S. Constitution would be taxed.

MS. BUTLER: Okay, when you are saying the churches

that are used for religious--the part that is used for religious purposes--I am not talking about that, but I am saying that I think many of the churches have a lot of property that they really--I think it should be examined. And since we have so little land, can we allow the kind of loose thing that we have now where the churches--like [inaudible] garden; I think all woods and forests have a religious purpose, and many of them are taxed.

But I am not sure that we can afford that. I know, coming down 16th Street, almost in every other yard, there is a sign: I'm a church, I'm a church. I think we have to look at that.

MR. CROFT: Thank you.

MR. COATES: Thank you very much. Delegate Garner?

MR. GARNER: Delegate Croft has questioned, and the answer very much helped my question. One slight additional concern, Ms. Butler, is the concern about whether it's religious or charitable or educational, whatever it is that either the Constitution or the statutes prohibit taxation on, whether those purposes focus on District or, in our case, state residences. The churches along 16th Street tend not to have District parishioners; they happen to have very nice exemptions, which may be appropriate--but the parishioners

live in another jurisdiction.

And I was wondering whether you thought perhaps we ought to, in our constitutional language, add language which would refer to either religious exemptions or educational for those institutions whose members or people that receive the charitable or educational services are in fact residents of the state of Columbia.

MS. BUTLER: I hesitate, you know, to put a line on it. What I am saying is to look at it and to leave it so that people can put it together, if you don't have time in these ninety days to do it--so that they can begin to work with it in the very near future or, as they move toward statehood, that they can work with it.

But I feel certain that we do have to do something about the situation as it now stands.

MR. COATES: Delegate Bruning is next, and then back to Delegate Cassell.

MR. BRUNING: We are having a real problem in terms of referendum, as to what to do about that, particularly on taxation issues, financial issues. On the one hand, we have got a feeling that the people have a right to decide how the money is spent; and, on the other hand, we have the example of Proposition 13 in California, which has had devastating

effects on social services, particularly for the poorest people, the people least able to defend themselves.

What is your feeling--what does your feeling come down to on that type of trade-off?

MS. BUTLER: I think that Proposition 13 was right on time, and now it's going to turn around. You see, the thing is sometimes you have got to go up against the wall before you know or believe the wall is there. And now I think people are going to turn around and re-institute the tax. But they had excess money, they had all kinds of things, because the people had no way--and we might have something like that, because these assessments are coming up and people are really getting upset about this thing.

I would not for one moment suggest that any of the rights of people be abridged, if you are talking about their right to referendum and all that kind of stuff; no, indeed. And I know Julius Hobson must be spinning like a top.

But those are the kinds of things that people have to decide; you can't stop them, I hope.

MR. COATES: Delegate Cassell?

MR. CASSELL: Yes, can we go back to tax exemptions? Item No. 2 says "All or any portion of property used exclusively for non-profit religious purposes," and I underscore

"purposes." Maybe this is written all right; it's just a question of interpretation.

Would you say that any religious purpose, any religious place, that allows within that religious place, in addition to its worthy religious purposes, within that hall, or whatever physical place, activities that are not religious would then lose its exemption; for instance, many of our churches that find themselves involved in political campaigns, a political rally used in the hall, perhaps members of the church or the minister takes a political position, and so forth.

Would that be a reason for disqualification?

MS. BUTLER: No, I don't think churches are involved in politics enough. That's my personal feeling.

The only thing that I am concerned about, that we look at the use of land in the District of Columbia, that we somehow make sure that it's being used to its fullest value, and that the taxes are borne by all of the people. That's the only thing I am saying.

And that to leave this loose enough so that we can fit it in as we go along. I didn't want to have that cut in there that churches or religious would be exempt, and then we would be forever interpreting what is a religious thing, when

first we should look at: are we overdoing it now.

MR. COATES: Do we understand you correctly, then, to indicate to the Committee that it's your view that there are serious and substantial inequities in the present system of taxation, both with respect to land and with respect to various exemptions now enjoyed or, let us say--I should not say abused, but which do not in fact distribute the costs of government in a fair way across the whole spectrum of users.

MS. BUTLER: Absolutely.

MR. COATES: And that we should not in the constitutional framing put ourselves in a position that prevents us from carefully examining and rethinking and coming up through legislative action following on, and executive action, with a much fairer ---

MS. BUTLER: Right, perfect.

MR. COATES: I have a further question--not a question, but a request. I am painfully sensitive, as you indicated, the case where a homeowner finds a \$300,000 assessment, having made no substantial improvements at all to the property ---

MS. BUTLER: Because somebody else did.

MR. COATES: --- to base it on, whether you would find some way useful, and that is considering the questions

of uniformity and classification, that we could respond to such situations, because obviously if estimating assessments makes it impossible for a person to call neighborhood's home, who dared to purchase there, where the [inaudible] may remain there, make it impossible for them to maintain the occupancy and ownership. That tax is unfair, it seems to me, I would argue.

If we could find a way to do that, or if there is something of constitutional reference that you could share with us later on.

MS. BUTLER: I'd love to.

MR. COATES: I would certainly welcome that.

MS. BUTLER: Thank you.

MR. COATES: We would feel deeply appreciative to you for it.

MS. BUTLER: I think the only thing I am saying-- exactly what you said--is that the thing is so far wrong, it is so messed up, that we can't treat it lightly; we have to really look at it in depth and then go to work on it.

MR. COATES: Thank you for a stimulating presentation.

Our next witness is Gary Altman, who is speaking in the stead of Council Member Moore. The Chair invited

Council Member Moore to appear before the Committee, since the Committee incorporated in its preliminary draft article on finance and tax matters relating to earmarking, as required by [inaudible] federal funds. We know this is of relevant reference at least in one particular, as regards Metro.

And we welcome you in the stead of Council Member Moore who is chairing himself, is he not, a hearing?

For the record, would you give us your name and the organization you represent, and make your statement.

STATEMENT OF GARY ALTMAN, STAFF
COUNSEL TO COMMITTEE ON TRANS-
PORTATION AND ENVIRONMENTAL
AFFAIRS

MR. ALTMAN: My name is Gary Altman, I am staff counsel to the Committee on Transportation and Environmental Affairs, and I am representing Council Member Jerry A. Moore who is Chairman of that Committee and is also Chairman of the Washington Metropolitan Area Transit Authority.

I will just limit my remarks to the provision on earmarking and how that relates to Metro.

The provision in the draft here on earmarking as it relates to Metro is, basically Metro is presently financed from the general fund of the District of Columbia, under a

federal law called the Stark Harris law. The City Council enacted a new law recently, which will become law in about another month or so, which earmarks certain taxes and fees to pay the District of Columbia's share of the operating deficit of Metro.

Those are the two alternatives that have presently been enacted.

The third alternative, which would take concurrence of the states of Virginia and Maryland, would be a general tax for Metro. Currently the provision is required by the federal government to participate--well, not really participate, but to allow us to receive federal dollars for the construction of Metro. There is a \$1.7-billion authorization for Metro which necessitates each jurisdiction passing a state [inaudible] plan. Our plan was the earmarking of certain taxes and fees.

Once that authorization runs out, there is presently no need for such earmarking. However, let me just caution that there has been talk both among District of Columbia representatives to the Authority and those from Virginia that it would be a conceivable good idea to an action called the regional tax to fund Metro.

As this provision is stated presently, that would

not be allowed, once the federal authorization ran out. And in essence the ability of the District to extract something, which we would, from Maryland and Virginia would be lost in that case, because they would in essence--we would be able to guarantee their participation in the Authority.

There is another program, which I just want to mention, which Council Member Moore was instructive [sic] and instrumental in achieving this past year, which is the driver education program. And in that we earmarked another fee for the program of drivers' education, because the School Board was unwilling to fund it, and the only way to do it was in earmarking and a special fund set up. That earmarking was also sort of necessary for participation in the federal government program, but very indirect. I think he would be concerned about this restriction on the authority of the legislature to earmark funds for a special purpose, even though it is not required for the federal government or for participation in a federal program.

Sometimes those types of earmarking are necessary, are useful, and give the legislature the authority to do things which the governor or the mayor might not want to do, and set aside funds for special purposes which make that purpose guaranteed to be funded in tight fiscal years.

That is basically how he would feel, and also how I feel. In essence, to sum it up, I guess the legislature should be allowed discretion in this case to earmark a fund for Metro any way it deems fit, and possibly to earmark a fund for any other program, however it deems fit, and should not be restricted in this matter.

If you have any questions on this, I would be happy to answer them.

MR. COATES: Thank you. Delegate Garner?

MR. GARNER: Thank you, Chairman Coates. I would like to welcome Mr. Altman, one of the residents of Ward 3. And also, members of the Committee might not be aware, a candidate for the D. C. Constitutional Convention from Ward 3.

I appreciate his comments. I am particularly interested in the concern about earmarking, and also the question about special funds. But would the problem of, say, a regional tax be solved if we would limit the or add the exemptions to the section on earmarking--we now say when required by the federal government for participation in federal programs, or under provisions of multi-state compacts, or something like that.

Would that, do you think, in the particular instance

of the Metro tax ---

MR. ALTMAN: Well, that would alleviate that concern surely. I just think there is an added concern based on the restriction--I mean, I haven't been involved in this, so I can't say, but I am not sure I understand why the restriction is placed in there.

MR. GARNER: But that would solve the problem.

MR. ALTMAN: That would solve that specific problem.

MR. GARNER: How many funds are you familiar with, earmarked funds, maybe just under your Committee's responsibility, are there currently? Can you rattle those off?

MR. ALTMAN: Currently there is the one for Metro, there's one for drivers' ed; there's one for the Convention Center.

MR. GARNER: Is that a specific earmarked fund?

MR. ALTMAN: That is a specific fund; I think it is earmarked and specifically set up.

There has been talk--I don't think it has ever passed--about earmarking the gambling revenues for educational purposes, specifically for disabled children.

I cannot recall any offhand. I gave a talk about others. There used to be a highway trust fund, and that was

abolished in 1974, to the applause of many, and I agree with it.

MR. GARNER: Are there special funds in departments where they collect fees and those fees are used for specific purposes?

MR. ALTMAN: The victims' compensation fund, which was just recently passed by the Council, sets up certain fees for the courts to be used specifically for victims of crime. A bill which is currently under consideration--under the motor vehicle insurance, Council Member Moore included in that bill a provision which would set up a special fund for uninsured--victims who are hit by uninsured motorists who are not insured, pedestrians and such, set up by the money collected. As for your specific question, I am not aware of anything that operates like that on a reimbursable basis, which I think is what you are talking about. But the departments that we are concerned with, they don't have it, as far as I am aware, anything like that.

MR. GARNER: One last question that just occurred to me. Unemployment compensation, is that a separate kind of fund that people pay into, or is that an insurance ---

MR. ALTMAN: I said victims of crime compensation. Unemployment, that's an interesting question--I don't know.

MR. GARNER: Is that an insurance program or is that a special tax?

MR. ALTMAN: It's an insurance type of program; it is a tax--I don't think it's called a tax, so I am not sure. Also, as was pointed out, this is a state tax fund--I don't know what "fund" means; there are a lot of other things besides taxes which would not be included, depending on how that is interpreted. I think basically--now I have thought about others which you recall to my memory--there are a lot which the Council has done which the legislature might want to do--victims of crime probably is the most important--where you set aside a fee, a portion of a fee, which is paid and which you can directly reimburse someone without special appropriation, and more related to need, which would be probably precluded by that provision.

MR. GARNER: Thank you.

MR. COATES: Unemployment compensation is dedicated and is required by federal ---.

All right, do we have further questions? Delegate Barnes.

MR. BARNES: Yes, on the question of earmarking, my first question is, looking at the language that we have, as a compromise text, do you see it effective that we could

say that earmarking was allowable but would have to come under some kind of sunset law provision, such that, let's say, if a tax was enacted for drivers' education that it would follow a sunset provision of five years, you know, as a compromise.

The second thing is that I think the feeling--one of the feelings on earmarking of the Committee--this is my second question--is that, on the one hand, you are giving the legislature more ability to steer, you know, get programs by saying, hey, you are paying that tax to pay for this; but, on the other hand, to restrict earmarking gives the executive more ability to play with his funds.

And so I would like you to comment on that also.

MR. ALTMAN: As for a sunset provision, those are used in law for authorizing legislation; I have never known of one for appropriations. What would you do with the money if it's left over at the end, if it's a trust fund type situation? Could it be re-authorized after the end of that five years, which most sunset provisions allow for? That's another problem. And if it can be re-authorized, I am not so sure it is necessary in the constitution to state that you have a sunset provision, five years, and then you have to re-authorize it after that point.

As for whose authority you are going to control or restrict, I am confident that you are going to have a provision in here on vetoes and overrides, so that there be a check and balance there anyway. The earmarking would be more of a legislative act by the legislature as opposed to the mayor, or the governor, forcing him to do something he might not want to do. They can do that in the appropriations process each year or they could do it on a one-year basis and set it aside, the monies.

What you might want to consider instead is a provision that is currently in the home rule charter that disallows the budgeting of an item, or the contract, for more than five years, except by specific act of the legislature. Currently in the home rule charter, the Council nor the Mayor can contract or budget for more than five years for an item that is more than \$5 million, I think is the figure set, so that something that does not allow funds to be spent over a long period of time without successive control. That might get at the problem.

MR. BARNES: Would you clarify that a little more?

MR. ALTMAN: That might get at more what your concern is; that might be more on the mark as opposed to earmarking, not allowing earmarking. I haven't read the

provision lately so I am not clear on it, but we cannot budget, appropriate funds, for more than a five-year period without a specific--nor can the Mayor sign a contract for more than a five-year period, for more than I think it's a \$5-million figure, without specific legislation to that effect.

MR. BARNES: Thank you.

MR. COATES: Delegate Bruning?

MR. BRUNING: I think you were wondering why there was a prohibition on earmarking. There are some states--like I think Louisiana has now 85 percent of its revenues are immediately going into one fund or another, and part of that becomes simply a matter of who is most powerful in terms of getting their interests served by money siphoned off into a particular project, the assumption being that it gives the legislature more flexibility in determining how its money goes.

A couple of things you mentioned could indeed have been done out of general funding, but, for whatever reason, drivers' ed, it seems to me, fell under the authority or the purview of the Board of Education to deal with, and if they decided not to fund it, it seems that they take the political heat for not doing it, as opposed to having money--they keep

the program going through a fund. I mean, that's one of the ways that ---

MR. ALTMAN: Correct.

MR. BRUNING: --- in theory you have got some control over what they are doing.

MR. ALTMAN: Let me just remark on that specific instance. The problem there was that the school board, all they lost was some political heat; however, the Department of Transportation and the Police Department lost a million dollars in federal funds. That was related to a drivers' ed program but not the earmarking of funds, which is a difference, because if the program was required, funding of it was not. It's a big difference. I mean, there are not that many instances where you have to fund something to participate in the federal government like this, have to earmark. Secondly, two other funds I mentioned, one which was under Reverend Moore's committee, the other which was under Dave Clarke's committee--victims of crime compensation, the other--the way those are set up is that in essence the person who pays, the person who is paying the tax or paying the fee is paying someone else, that money is specifically going to someone else who is harmed by the person who paid the fee or the tax. In victims of crime, it was an amount attached to the criminal

penalties. In the bill that is presently before the Council, the uninsured motorist fund, it's the penalty which we would require an uninsured motorist to pay to register the cars; we didn't go towards a fund to compensate people who get hit by those individuals who are not otherwise insured. So that is a direct relation.

MR. BRUNING: And yet in theory that is something that could be eliminated entirely by making insurance mandatory.

MR. ALTMAN: Without a doubt. Well, it could and it could not, because there is no such thing as mandatory insurance that works.

MR. COATES: Or no fault.

MR. ALTMAN: There are still people out there who don't have insurance; no fault doesn't matter.

MR. COATES: Any further questions? If not, thank you.

MR. ALTMAN: It's my pleasure, thank you.

MR. COATES: Our next witness is Mr. Albert R. Hopkins, Jr., who is the executive director of the Anacostia Economic Development Corporation.

Welcome, sir. For the record, would you give us your name, the organization you represent.

STATEMENT OF ALBERT R. HOPKINS, JR.,
PRESIDENT, ANACOSTIA ECONOMIC DEVELOP-
MENT CORPORATION

MR. HOPKINS: My name is Albert R. Hopkins, Jr., president of the Anacostia Economic Development Corporation. I am not sure that I am prepared to speak on what you are considering today, because I was under the impression that I was going to speak about enterprise zones. But if you would like for me to answer some questions for you, I would be glad to.

MR. COATES: We are, in the sense that we have under consideration, which is not incorporated in the preliminary draft, but as an issue still I think it can be considered by the Committee, and we have had representations made to the Committee, in at least one round, perhaps two, that taxing might provide the opportunity--the authority of taxing might provide the opportunity to create incentives or disincentives, as the case might or might not be, viewed from the perspective of the public interest, so that it is still an open question with the Committee, the fact notwithstanding that it is not incorporated in the preliminary draft.

So that we would want you to feel that anything you are prepared to say to us, we need to hear and welcome.

MR. HOPKINS: I don't want to take you away from enterprise zones, because certainly enterprise zones encourage the lack of taxes, and you are right now considering how to raise income.

I have had opportunity while I was sitting here to look through your four-page preliminary draft, and I would just like to make a couple of comments, because I really wasn't prepared to talk about it. I had the opportunity to hear Ms. Butler's comments, and also the other gentleman who preceded her. And if I have any comments, it is also in the area of your tax exemptions.

I heard your comments, Mr. Cassell. I see nothing basically wrong with your tax exemptions, the four items that you have. Personally, I kind of feel that the tax exemptions for religious purposes should be maintained. Where these religious organizations have unrelated business income, then perhaps no; but if there are purposes or activities that are directly related--or the income utilized from some of the activities are to foster or to enhance their religious objectives, then I see no reason why that should disturb their tax-exempt status.

With respect to purchases of retail groceries and drugs, I used to like to go to the state of New Jersey and

be able to buy clothes and food and drugs without having to pay taxes. That might not be the same anymore now; I think they do have tax on some items. But certainly the objective, to exempt purchases of retail groceries and drugs, I do like that.

With respect to earmarking, there is probably, as the gentleman who preceded me mentioned, the need to have certain taxable revenue earmarked for certain purposes, so in that particular instance I would be in agreement with him.

That is sort of a cursory examination of this; I certainly wasn't prepared to talk about it, and I don't want to take up your time.

If you have some questions, I would be glad to answer.

MR. COATES: If you have comments on the incentives for enterprise zones, we would be glad to hear them.

MR. HOPKINS: Well, with respect to enterprise zones, as you know, the President has just recently gone to the Hill with his bill for enterprise zones. He's left it very vague in terms of just what incentives he would set up. And we in the Anacostia Economic Development Corporation are located, as you are aware from the name, in the Anacostia far southeast area, and we have been involved in looking at

various sites in that particular area, hoping that if anything comes out of this present Administration that can assist low income and the unemployed, that we want to take advantage of it.

And the only thing in the Administration that seems to come close to fitting the bill is their hype about enterprise zones, and whether or not it is geared to do what has been suggested is nebulous, I guess.

First of all, enterprise zones is supposed to be one method to revitalize depressed areas, and I brought you some copies of material I think you should read, and it might give you some helpful background information. But the idea of the enterprise zone I guess originated in Britain, and they were geared to attempt to, as I said before, rejuvenate or revitalize depressed areas. It's funny, because we look at the United States--I guess there was a thirty-year period of time, the Industrial Revolution, etcetera, where we had child labor, and we didn't like it, and we eventually got around to do something about it and we outlawed it. We also had many workers working in industrialized plants that had very little rights for their own particular--the hours that they worked, the conditions under which they worked, and the pay which they received for their work. However, in terms

of the economy of this country, it was progressing at a very rapid rate and the gross national product was constantly being increased. However, eventually--I guess this country wasn't very much concerned about what it did in the Third World countries, or in areas that had cheap labor. We produced goods here at home and we sold them here at home and we had workers who manufactured those goods. Eventually, as corporations became more multi-national, the impetus to produce products in America for sale to American citizens, produced by American workers, and if our exports could produce some additional profits, then the owners of the companies were more than happy to receive them. But as the companies became more, as I say, multi-national, their ownership was scattered across--it didn't make a difference if you were an American to purchase controlling interest in a company or to have significant equity of a company, the bottom line being take-over. Consequently, if it was cheaper to produce goods --well, I guess there was one stage that came in the middle whereby companies began to manufacture goods in Third World countries in order to sell them in the Third World countries, but nowadays we manufacture goods in Third World countries and we bring those goods--we might, let's say, have an initial component here in the United States, a company that

makes cars might make the shell here, ship the components of the shell over to Singapore, for example, then have another 60 percent of the car developed there, and then reimported back into the United States and pay duty only on that part of the car that was manufactured in Singapore, and then finish the product here in the United States and then put it out for sale. Well, if we got 60 percent of the car manufactured overseas and only 40 percent here, and the price overseas was a relatively low price of maybe 33 cents per hour for labor, and we were paying \$3 or \$5 in our plants here in the United States, well, the bottom line says you continue to do that. And the tariff laws are such that you are allowed to do it.

So the enterprise zone, you could say, now exists in Singapore, Mexico, Puerto Rico, wherever, and it does not necessarily exist here in the United States. I guess what we are talking about doing with enterprise zones is to produce or create enterprise zones here to encourage small businesses--and you must encourage some major businesses--to be willing to locate. And let's say that Anacostia certainly would be a prime candidate for enterprise zones. Well, if enterprise zones is to mean reduction of minimum wage, then we in Anacostia don't want it. If enterprise

zone is to mean that because of the increase in business activity and the increase in productivity, that therefore this depressed area now is a revitalized area that has found a way to reduce crime, etcetera, and to create stimulating businesses, therefore property values increase and we lose our present homeowners or residents, then here again we must say no.

And yet it is a heck of a dilemma to be put into because the community is crying for jobs. And enterprise zones--for example, take D. C. Village, which is about 200-and-some acres, D. C. Village; Langston Golf Course has 130 acres and the Department of Recreation or Interior doesn't have any money to continue Langston; the New York Avenue corridor, railroad corridor, is certainly a prime area for industrial development in this area--and I am not talking about smokestacks per se, I am talking about light industrial development which would not make us an enemy to Congress.

But certainly utilizing this under-utilized land in those three particular sites would certainly create the much-needed jobs, and we could maybe utilize the Job Corps center that presently exists at D. C. Village where we train our unskilled youth for skills that jobs relating to those skills are not presently existing in Washington. So what we

do, we train our youth, who are trying to steer away from crime--and we are training them for jobs that exist maybe in Baltimore, P. G. County, and they eventually move. I think if you look at the surrounding Prince George's County area, you will find that many of the residents are the people that you saw hanging around street corners in Washington, now hang around shopping malls in Prince George's County. We are just pushing people away from this community. Prince George's County begins to look like what Anacostia looked like seven or eight years ago.

What we probably should be considering--and I think the Administration is going to look at--is what the localities do, what cities, what states, what local governments do to prepare a particular area of their city to be an enterprise zone. And that is going to be, I guess, the telling criterion.

And more than likely we will have to do something that would encourage the people in that particular community or area that is deemed to be ideal for an enterprise zone, we would have to some way create within those people the support for enterprise zones. And you have to do so in such a way that they feel that they can take advantage of the jobs, that if there is some reduced--I would hope that it

would never be reduced, the minimum wage--but if there is some reduction in the wages for teen-agers, people under 18, that we have, in turn, some kind of way to make sure that the revenue on some form of profits from the enterprise zone ends up in the hands of people in the community.

Many ways are suggested. You can have non-profit organizations, very much like the Anacostia Economic Development Corporation, which is a community-based, Title VII community development corporation, whereby the land -- for example, D.C. Village could either be transferred to the Anacostia Economic Development Corporation as a hypothetical, and the AEDC becomes the landowner and the business is locating within the zone, rent from the community-based organization.

The residents of the community become members of the corporation, very much as if they were shareholders in the corporation, so that dividends and profits, when they are declared, the leases could maybe find their way into the hands of the residents in the community.

Also, the community would have to -- you know, tax incentives, per se, are not the panacea to create -- you know, the reduction of those would not be a panacea for creating the enterprise zone. Business does not mind paying taxes if the

environment in which they are doing business is conducive to doing business and making their product. That means that their employees must feel comfortable in going to work, that there must be activities in that particular area so that the employees feel they are in a conducive business environment and a work-recreational environment, in which they don't feel scared and they can come in and park, with the security, the enclosed parking facilities, and all of their necessary lunch time and after work needs must be fulfilled on that site. They must feel they have some mobility, that they can move in and about the area in which they live and work.

So the community would have to do certain things. They would have to reduce crime, because business does not want to locate in an area that has heavy crime statistics, no matter how many taxes you can reduce or waive. So we must find a way to reduce crime in making these particular areas more conducive for business.

Here again, as I said earlier, the present property owners do not want to see their property taxes escalate to a point because all of a sudden you have now transformed a depressed area into a viable, economic area. They don't want to have to pay the increased property taxes and, therefore, have to move from the area; nor do they want to see the wages

of the people in their particular area being reduced to such an extent by working in the zone that, therefore, they could not afford because of their income to even stay in the area in which the enterprise zone is being created.

There are three articles here that relate to very much what I am talking to you about. One is an article about Rochelle Stanfield, entitled "The Administration may be overselling its plans for Enterprise Zones". Another is by William Goldsmith entitled "Bringing the Third World Home", and the third one is an article by Mark Frazier called "Strengthening Enterprise Zone Performance". I would be glad to leave those with you.

If you have any questions, I would be glad to answer them.

MR. COATES: Thank you.

Delegate Croft.

MR. CROFT: I'm a member of the Economic Development Committee and you should have received an announcement in the mail about -- Did you receive that?

MR. HOPKINS: I did.

MR. CROFT: I would like to personally send you an invitation to come to our hearings on either Tuesday or Thursday, because that is one of the things we would like to

discuss, the situation on economic development.

I would like to go back to enterprise zones. Also, Radical America had a whole series on enterprise zones, and you did mention the British experience and you did mention the Third World, and I would like to ask a question about that.

Don't you see something insidious about the enterprise zones in the sense of in many ways the youth of our inner cities are, indeed, going to become the "coolies" for our nation now? I think I look at in the in insidious sense that these young people have been treated poorly by the school system, poorly by most people, and now we have essentially decided that they will be sort of cheap labor in the enterprise zones.

In other words, what concerns me is Anacostia, which I live in, becoming a "bantustan" in the state -- in other words, a cheap labor reserve based upon young people who have not been trained well in the school system, who have been pushed around, et cetera.

I am, indeed, concerned about minimum wages, and I am, indeed, concerned about minimum wages do not have to be reduced but people can just be kept paid at that level. Or we could talk about reducing those for the young, which means pitting young folks against older people, et cetera.

I am furthermore concerned about an environment in the neighborhood, the impact on the environment. Everything I have looked at, in terms of the enterprise zone, talks about suspending certain environmental rules and regulations, health and safety requirements of work, et cetera. Again, I go back to the point of the insidiousness of it.

You brought up Prince Georges County, which is very fascinating, because if you look at the economic geography of this area, Prince Georges County is now where you have warehousing and like industries, and you would think that people with low skills would, indeed, find a job there. But it seems that black kids, even when they move to Prince Georges County, don't find the kinds of jobs which, indeed, they do have the skills to perform, which again goes back to my concern, which is whether we have built up a reserve of folks without jobs who are so desperate now that they may be willing to work at any job.

I am particularly concerned when you talk about the uses of public land and the uses of a neighborhood and an association made up of folks in the community owning the land, leasing it out to what I would consider to be companies that would use cheap labor, coolie labor, and in a sense a kind of even more insidious kind of arrangement in which neighborhood

people would be part and parcel of a process exploiting their own children, in a sense, profiting from the exploitation of their own children.

MR. HOPKINS: If I may address that, I understand your reservations --

MR. CROFT: It's not a reservation, because we're looking very --

MR. HOPKINS: Uh-huh. But basically, in this particular enterprise zone, and -- the Administration has really left it up to the local jurisdictions, states and cities, to make their own determination and fill out their own application to be declared a, per se, enterprise zone by the federal government standards, and therefore have certain federal tax reductions.

They will select 25 cities per year for a period of three years, for a total of 75 cities. There are too many cities, you know, to even begin to count in the United States, urban areas. Each one of them can be an enterprise zone under state and local law. They need not be accepted for the Administration's classification.

Basically, what I was talking about earlier is not so much the federal tax incentives that will be such a major selling point to business. It is going to be the environment

in which they are asked to locate in. And as your committee has a great opportunity to write the type of incentives that protect the people of the area, and also provide the incentives for business to locate there, as I said, if we can change the environment and leave the minimum wage as it exists -- You know, sometimes you feel like you've been here before. Do you ever get that feeling?

MR. CROFT: [Inaudible] in the 1960's, on-the-job training program, which again essentially operated with subsidized labor from the federal government [inaudible] Fairchild Hiller.

Again, one might raise the question who profited? Fairchild Hiller profited in many ways. It got subsidized labor, it got union-free labor, it got cheap labor. The question I raise again -- Let me just make one point about this environment because that somewhat disturbs me.

Every major study on why businesses locate where they locate -- and it has nothing to do with an ideological point of view of the person doing the study -- has shown that the key question for business, the key movement from business in different areas has been cheap labor. That is labor cost that is the primary determinant.

So when I hear people talk about creating the proper

environment for business, I automatically translate that to cheap labor. I raise the question, because I live in Anacostia -- I lived in a drug infested area and Anacostia -- and certainly the young people on the street corners know where they can find cheap labor at the minimum wage. They reject cheap labor at the minimum wage. They reject it, and they reject all the kinds of exploitation involved in that.

I think that, indeed, President Reagan is right. You can open the newspaper and you can find jobs paying very, very poorly. They're all over the place. I think when you think of Anacostia, you have to raise the question about why doesn't the young unemployed choose those kinds of jobs.

Secondly, I think we have to raise another question. If this were Fairfax County, Fairfax County doesn't talk about enterprise zones. What Fairfax County talks about is the most high, the most modern and high technology industries you can talk about, and the most modern, high technology industries that pay extremely decent kinds of wages to people.

Now, the question I raise is this: Why don't we educate our kids in this city and why don't we have an economic strategy that begins to bring in the most modern high-tech kinds of industries in these areas which you named, rather than the modern day version of the "sweat shop", rather than

bringing "Hong Kong" to the United States, rather than bringing "Singapore" to the United States.

Why can't our kids be trained to be the kids who, indeed, control the modern technology. Why must these modern plants be going on in, say, Fairfax County? Why not here?

MR. HOPKINS: I have no objection. That question is asked by a number of people constantly. I can't argue with that.

You know, sometimes you might want to say that what we ought to be about is the United States building up Japan and building up Germany after the war. Maybe what the United States should have been about is building up the economies of the Third World so that everybody would have an internationally approved minimum wage, so that multi-national companies would not locate where they could find cheap labor. Those are all well and good objectives and motives, and I think we ought to know why it doesn't occur.

I agree with you, that high tech is certainly the avenue to being. But certainly all kids will not be prone to be educated and get a job in the high tech industries. There are going to be all types of jobs. I don't think we have to reduce minimum wages to have the enterprise zone in far Southeast or anywhere else that I mentioned.

For that matter, I think we need not get federal designation as an enterprise zone. But this city has an opportunity, or this state, hopefully, in the future, will have an opportunity to create its own areas whereby -- and hopefully the areas will be in those depressed communities where we can create a better business environment conducive to business. I don't just think about business but also about the residents that live there.

I can understand how it comes to your mind, the experiences of cheap wages, but I do think about how it would increase home ownership potential, how it would better the infrastructure than presently exists, how it would solve the social problems that we have in the communities.

MR. COATES: The next question is Dr. Barnes.

MR. BARNES: I have basically three questions to ask you about what you presented --

MR. COATES: One question in three parts?

(Laughter.)

MR. BARNES: Okay. I'll make it rather short.

MR. COATES: Just a little levity. You may ask your questions.

MR. BARNES: One thing that you alluded to, and I would like to go even farther than you did, was the idea of

the relationship of taxes, tax incentives, to business location. I think Delegate Croft alluded to that, also.

Again, one of our reference materials, the publication Financing and Urban Government, impressed me and many members of the committee with the fact that business taxes are a very complex thing. The advantages of certain taxes change rapidly over a period of time. In other words, in one decade one tax may be an advantage and one may be a disadvantage. However, ten years later things may change. There are a tremendous range of business-type taxes, whether taxes or tax cuts or whatever.

So on that I think the idea of putting a kind of labelling of a business tax may cause a problem at a constitutional level.

On the same thing, I think the enterprise zone concept is something that basically has been talked about by economists for a while, but the specific Reagan doctrine, I guess it gets to be kind of a Jack Kemp doctrine also, really hasn't been tested over time. I think I would advocate against that in a constitution because it is just too trendy an idea. We don't really know whether that's going to hold up.

Also, I think -- Well, I have asked all three questions, so I would like you to comment on those.

MR. HOPKINS: You might be right. Maybe it shouldn't be in the state constitution. Maybe there is some -- you know, normally I guess jurisdictions are finding ways of creating enterprise zones by whatever incentives they give to a particular area, but you will not find them going back -- No one, I don't think, that there is no state in the country that would amend its constitution to provide for some language that says something about enterprise zones, nor would I expect this state to do the same thing.

But I think to encourage businesses, to encourage the employment of all persons, et cetera, something like that would be sufficient. It's actually what the state legislature will provide that is going to make a determination as to whether or not this community, the state, has an enterprise zone, and how they apply their taxation to effect the creation of business and the development of jobs in a particular area. I don't think -- I agree with you. I don't think it should be in the constitution itself.

MR. COATES: Delegate Garner?

MR. GARNER: That was the answer to the question I was going to pose. It was the right answer, too.

MR. COATES: Any other questions?

The committee is grateful for your presentation,

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resumes

your appearance here and presentation, and for the material which we will identify in the record and utilize.

MR. HOPKINS: Thank you very much, and thanks for your time.

MR. COATES: Is Steve Danzansky present? He is listed as a witness for this evening's hearings. He is not present.

Are there other persons who would want to speak to the Committee present? If not, then that exhausts our witness list and those who are present today.

The three documents left for the Committee by Witness Hopkins are entitled "The Administration May Be Overselling its Plans for Urban Enterprise Zones;" secondly, "Bringing the Third World Home;" and, thirdly, "Strengthening Enterprise Zone Performance." Those documents are a part of the hearing record and are available to Committee members.

Let us then proceed to our second agenda item, which is entitled "Other Matters for Consideration."

Delegate Cooper?

MR. COOPER: I would just like an update from the Chair on the status of some of those articles that were drafted that did not appear in the draft that we presented for hearings tonight. And my question is whether those can

be considered and included in the draft that we present on Wednesday?

MR. COATES: I see no reason why they should not nor cannot be. As a matter of capability of response or lack thereof, we were not able to reproduce all of the documents that the Committee has under its consideration, but those will be reproduced to the extent that we are capable tomorrow and will be circulated to prospective witnesses and certainly made available at the hearing on Wednesday.

MR. BRUNING: Are those documents that we have agreed to as a Committee or are those drafts of proposals that have been offered in some form or another?

MR. COATES: They should in the circulation be captioned "Proposals Received by the Committee."

MR. BRUNING: What we have in front of us, what the witnesses have in front of them, is just what we have agreed on as a Committee?

MR. COATES: That is correct, exactly correct. Are there other considerations for the second agenda item?

I would want to inform the Committee that invitations have been sent to all of the roundtable participants, both in the first and second roundtable, and others have been added, invitations have been sent to the American Bankers

Association, to the Washington Bankers Association, the Washington Savings and Loan League. Invitations have been sent to the Council of Churches, Greater Washington Area; the Archdiocese of Washington, that is, to the archdiocesan office and the Archdiocese of Washington; to Howard University; George Washington University; Georgetown University; American University. And some others who might have an interest in commenting on the exemption section, preliminary draft.

MR. COOPER: Was an invitation sent to the University of the District of Columbia as well?

MR. COATES: No, it has not been, but I might inform the Committee as to what invitations have been sent, to advise that we might share some responsibility as regards the expansion of the prospective witnesses for the Wednesday meeting, so let's take a shot at it, if there are others that you feel you want to. We have hearing notices, of course, drafted, and I have a copy of a letter which I sent that we can include copies of of this preliminary draft and any others that we would want to send forth.

Would you take responsibility for UDC?

MR. COOPER: Yes.

MR. COATES: Are there others? I guess--and this only comes now as a response to your question--since it is a

District agency, I did not include it for the tax purpose or lack of taxing liability there.

Are there any others?

Any other matters for consideration?

MR. COOPER: Are we going to undertake consideration on any of those other proposals tonight? We can get as many as possible out of Committee and on to our draft, if they are available.

MR. COATES: The way I would conceptualize our follow-up work is to take the hearing record, take the whole corpus of proposals we have, including those that are not now incorporated, and restyle our draft and otherwise dispose of each article submitted with a report to the proposer as to what disposition was made of it and why.

I didn't anticipate that we would do that tonight; that doesn't mean that we cannot or should not. But to show you the work the Committee has as it follows on from the hearings--I think it has an obligation to do that.

MR. BARNES: I would just like to ask Delegate Cooper a question. Do you have any copies or anything we can look at on your draft?

MR. COOPER: No, I turned the originals over to the Chair.

MR. BARNES: Because, you know, I mean, if you are specifically--one of your items is something you presented ---

MR. COOPER: If the Chair already has a plan as to how we are going to approach that ---

MR. COATES: Only in that general way. I don't have a plan, you know, to say priority one is here, priority two is there, as regards this proposal or that.

We also invited D. C. Democratic State Committee to appear on Wednesday. We have got a query from the D. C. Republican State Committee, and they had listed Steve Danzansky as their representative. He is not here now but I will follow through with a call to determine whether he will in fact appear.

Yes?

MR. BRUNING: Do we have a tentative list for Wednesday?

MR. COATES: A tentative list?

MR. BRUNING: Or a confirmed list or something in between? Of witnesses.

MR. COATES: We have indication from the Roundtable participant, Gladys Mack; the D. C. Budget Office; D. C. Finance and Revenue--I think Carolyn Smith is coming herself

this time; Bruce Bryant from the Washington Savings and Loan League; Ernest Gibson from the Council of Churches, the Greater Washington Area. I don't know who might be coming from the archdiocesan office, the Washington archdiocese, from the Catholic Church--I don't know.

But I suspect a battery of religious, educational, scientific, etcetera, organizations will be here on Wednesday.

MR. BRUNING: Very good.

MR. COATES: They may have other points in the decision-making process where they would want to appear other than at this Committee level.

Delegate Freeman?

MS. FREEMAN: I can't remember--in our letter did we welcome written testimony beyond the date of our secretary?

MR. COATES: The hearing notice and the letter indicates that the record is open until the close of business on the 16th, which is Friday evening.

MR. BRUNING: Do we have any contemplation that there are people that we think are significant or important to have an evaluation of our document of sending them a copy and asking for a reply, if they haven't testified--I guess in effect soliciting direct comment from people that we think

may have expertise that directly affects a particular section?

MR. COATES: Well, obviously the hearing record is one way to do that. But I don't know that having gone beyond, prior to the April 16th close of business, that we would be precluded from having anyone in we wanted, as a consultant to the Committee, the record notwithstanding to be available to help us as a resource.

But the record is by notice open until the close of business Friday, April 16.

Delegate Freeman?

MS. FREEMAN: Would the invitation go to the economics departments of the universities that you listed only, or which departments?

MR. COATES: Office of the president.

MS. FREEMAN: So presumably it would be forwarded to law schools; economics, I would think, would be the other main department.

MR. COATES: I don't know.

MS. FREEMAN: It's a concern I have because we haven't had any--at least not that I know of have we had a lawyer response, which sooner or later we are going to have to do.

MR. COATES: Well, that anticipates the question

that I raised with the President before the plenary session on Saturday, and that is that the draft reports from not only this Committee but other committees should have been reviewed by the general counsel for the Convention prior to public hearing. That resource was not available to us; I specifically requested it. And I suspect it is not available to any of the other committees.

We are in the hearing phase now, but I would think immediately--certainly the day after it should be.

What would help, and this is based on my reading of the President, is a formal resolution making a request in behalf of this Committee that the Executive Committee provide legal counsel.

Delegate Bruning?

MR. BRUNING: That essentially came up--and I think it passed--and it passed on Saturday, a request that the legal counsel be asked--I don't think they quite used the word "directed," but asked or prevailed upon to do exactly that, start looking over it for the legal language of the draft or proposals coming out. I don't think there was a definite time set, the when of it, as some delegates raised the question that they didn't want to be in the position that they couldn't proceed in terms of the reading of the

document until there was a legal opinion, the fear being that the legal opinion may never arrive.

MR. COATES: That's why I feel we ought to adopt a formal resolution. That was the sense I got in the response of the President. How could we go to first reading unless we had the opinion of counsel that what we report out of the Committee is constitutionally correct?

I would not do it.

MR. CROFT: I so move the resolution.

MS. FREEMAN: I second it.

MR. BRUNING: Can we just get the resolution language.

MS. FREEMAN: I would like to make an amendment to the resolution.

MR. COATES: As I understand, the resolution is that we urgently implore the Executive Committee to provide legal counsel to the Committee on Finance and Taxation prior to its report on the article on finance and tax for first reading-- prior to the Committee's vote to report out an article on finance and tax for first reading, so that we can utilize counsel before we finalize it.

Are we agreed that that is the resolution? Any discussion thereon?

Delegate Freeman?

MS. FREEMAN: I would like to either make a new resolution or an amendment to this one, something to the effect that we get our own if we can't get something quickly through the Executive Committee, because I think in our Committee we probably have sufficient legal resources, people who would be willing to go over a draft sooner.

MR. COATES: May the Chair respond without debating? The matters of such gravity, because it relates to the total constitutional project, I don't think we are advised to say, well, we will get our own. It is not that partisan a matter. It ought to be of urgent consideration to the total Convention.

I would hate to see ten committees going off in ten directions in getting legal counsel; some might, some might not.

MR. COOPER: We go off in ten directions for everything else.

MR. COATES: Maybe that's our failure, that we have not coordinated an inter-substantive committee network to get those other things in place in our work product.

Delegate Croft?

MR. CROFT: On Saturday there was a meeting of

Delegate Baldwin, Vice-President Baldwin, regarding committee chairs, and essentially there was a comment about everybody going off in another direction, but then the positive comment was that the committee chairs are supposed to tell what their needs are and that they will be accountable to seeing that those needs are met. Essentially Delegate Baldwin stated that they accepted that there had been breakdowns in the past, but, in quotes, this was a new beginning and that committee chairs should make their needs known, and that they would take the responsibility for having those needs met and be held accountable for [inaudible].

I think we were prohibited formally from formally using our network--I'm not sure what that means about our informal network.

MR. COOPER: [Inaudible] although the language might have been formally--a formal prohibition--it would be wise to try not to circumvent what the vice presidents are trying to do inasmuch as they do have responsibility, and, as you said, they are the ones who would have to answer to the President in that if something were to go awry, it would be their head on a chopping block, not the committee chairs, so, again, in all allegiance to the vice presidents and to the Executive Committee, I would say that we try to work

within the framework that the vice presidents have indeed provided.

MR. CROFT: Can I ask a question about capacity? And that is, with all these committees and all these articles, what kind of capacity will the general counsel have for really being able to look at these? In other words, are we talking about one person, are we talking about--what kind of resources does this person have at his disposal?

MR. COOPER: Supposedly they have several resources stemming from a number of deans of the law schools all the way down to students. However--and there is a big "however"--we have yet to see those resources. So as far as I am concerned, until I see it, the resources aren't there.

MR. BRUNING: We have yet to see the general counsel.

I think we are promised a lot, and I am not sure what we have actually got.

MR. COATES: I would like to dispose of the proposal that Delegate Freeman made.

Are we agreed that we would proceed with the resolution as currently drafted, or ---

MS. FREEMAN: Sure. I didn't want to break any rules or whatever; I was just thinking that informally in the

next week, in much the same way as we have experts on other areas, and then testify what provisions--it's where we are at right now.

MR. BRUNING: Would that be outside the scope of your understanding?

MR. COATES: We could include it in the understanding.

As I hear Delegate Freeman, I hear her saying--she's obviously right, it's a matter that we ought to use our concern to see that it gets done.

My sense is that if we provided for ourselves counsel, that should not obviate or otherwise dissipate whatever urgent concern we can direct on the Executive Committee to get this done.

All right, we have a motion before us, to make an urgent request upon the Executive Committee to provide legal counsel to this Committee prior to this Committee's vote on reporting out an article on finance and tax at first reading.

MR. BRUNING: First reading, as presented to the body?

MR. COATES: Yes, we want to determine that it is constitutionally correct before we report it out.

All right, any other discussion on the motion, the

motion of Delegate Croft and second of Delegate Freeman.

Those who support the motion will say aye.

[Chorus of "ayes"]

Those opposed, nay.

[No response]

The ayes carry, the resolution is adopted.

Would you draft in an appropriate memo a letter, Secretary Bruning, the pleasure of this body.

MR. BRUNING: To the Executive Committee or to President Cassell?

MR. COATES: To the Executive Committee. He chairs the Executive Committee.

Now, is there a report from our research assistant?

VOICE: No, there is not.

MR. COATES: Any other thing regarding the hearing on Wednesday?

If not--yes?

MR. CROFT: Is this new business?

MR. COATES: Oh, yes, new business.

MR. CROFT: I'm stretching the definition of new business; this is an announcement.

People who are interested, there is sort of a fund raiser tonight for the nuclear freeze movement at Childe

Harold's, and you know there is a move to have a referendum, have it on the ballot, the freezing of nuclear weapons to be put before the voters of D. C.

MR. COATES: Thank you for the new business.

Motion to adjourn?

MR. BARNES: I move that we adjourn.

MR. COATES: Second?

MR. BRUNING: Second.

MR. COATES: Those who support the motion will say aye.

[Chorus of "ayes"]

Those opposed, nay.

[No response]

The motion carries and we adjourn at 8:35.

[The meeting adjourned at 8:35 p.m.]